

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Mark Acton, Vice Chairman;  
Tony Hammond; and  
Nanci E. Langley

Competitive Product Prices  
Global Plus Contracts  
Global Plus 1E

Docket No. MC2018-7

Competitive Product Prices  
Global Plus 1E (MC2018-7)  
Negotiated Service Agreements

Docket No. CP2018-12

ORDER ADDING GLOBAL PLUS 1E TO THE COMPETITIVE PRODUCT LIST  
AND DESIGNATING BASELINE AGREEMENT

(Issued October 31, 2017)

I. INTRODUCTION

The Postal Service seeks to add Global Plus 1E to the competitive product list.<sup>1</sup>  
For the reasons discussed below, the Commission approves the Request.

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<sup>1</sup> Request of the United States Postal Service to Add Global Plus 1E Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Application for Non-Public Treatment of Materials Filed Under Seal, October 13, 2017 (Request).

## II. BACKGROUND

Contracts under the Global Plus products offer price incentives to mailers that use International Priority Airmail (IPA), International Surface Air Lift (ISAL), Global Bulk Economy (GBE), Global Express Guaranteed (GXG), Priority Mail Express International (PMEI), Priority Mail International (PMI), Commercial ePacket (CeP), and/or International Business Reply Service.

On October 13, 2017, the Postal Service filed the Request, supporting documents, and the negotiated service agreement (Agreement) it seeks to have designated as the baseline agreement for the Global Plus 1E product. The supporting documents include:

- A statement of supporting justification for adding Global Plus 1E to the competitive product list
- A copy of the Agreement
- A copy of Governors' Decision No. 11-6
- Proposed revisions to the Mail Classification Schedule (MCS)
- A certification of compliance with 39 U.S.C. § 3633(a)
- Financial workpapers

Request at 2; *id.* Attachments 1-5. The Postal Service also submitted an application for non-public treatment of materials requesting that unredacted portions of the Agreement, customer-identifying information, and related financial information remain under seal. Request, Attachment 6.

The Postal Service will notify the customer of the effective date of the Agreement. Request at 3. If the effective date of the Agreement is the first of the month, the Agreement will expire one year after the effective date. *Id.* Otherwise the agreement will expire on the last day of the month one year after the effective date. *Id.*

On October 16, 2017, the Commission provided public notice of the Request, established the instant dockets, appointed a Public Representative, and invited

comments on whether the Postal service's filings are consistent with applicable statutory and regulatory requirements.<sup>2</sup>

### III. COMMENTS

The Public Representative filed comments on October 23, 2017.<sup>3</sup> No other interested person submitted comments. The Public Representative states that the contract satisfies the criteria of U.S.C. § 3642(b), concerning the classification of new products, and U.S.C. § 3633(a) concerning rates for competitive products. PR Comments at 2-3. He characterizes as reasonable the Postal Service's arguments that Global Plus 1E contracts are neither market dominant nor covered by the postal monopoly. *Id.* at 3. He notes that the financial model accompanying the Request indicates that the negotiated prices should generate sufficient revenue to cover costs. *Id.*

### IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the Agreement, supporting documents, financial analyses provided under seal, and the Public Representative's comments. In its analysis, the Commission must add Global Plus 1E to either the market dominant or competitive product list under 39 U.S.C. § 3642. If it finds Global Plus 1E to be a competitive product, it must ensure that the Agreement complies with 39 U.S.C. § 3633(a) and designate the Agreement as the baseline agreement for the Global Plus 1E product.

*Product classification.* The Commission must classify the Global Plus 1E product and add it to either the market dominant or competitive product list. See 39 U.S.C.

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<sup>2</sup> See Docket No. CP2017-232, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, October 16, 2017.

<sup>3</sup> Public Representative Comments on a Postal Service Request to Add Global Plus 1E Contracts to the Competitive Product List, October 23, 2017 (PR Comments).

§ 3642(b)(1); 39 C.F.R. § 3020.34(a). Before adding a product to the competitive product list, the Commission must consider three criteria. First, the Commission must find that the Postal Service does not “exercise[] sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1); see 39 C.F.R. § 3032.32(d). Second, the Commission must ensure that the product is not covered by the postal monopoly. 39 U.S.C. § 3642(b)(2); 39 C.F.R. § 3020.32(e). Third, the Commission must consider the availability and nature of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. See 39 U.S.C. § 3642(b)(3); 39 C.F.R. §§ 3020.32(f)-(h).

The Postal Service asserts that it does not maintain a position of dominance in the market for international shipping. See Request, Attachment 1 at 2. It notes that IPA, ISAL, and CeP have all been classified as competitive because they are excluded from the postal monopoly and are competitive in their respective markets. *Id.* at 2-3. It contends that small businesses will benefit because Global Plus 1E contracts will provide pricing incentives that reduce costs. *Id.* at 4-5.

The Commission finds that the Postal Service does not exercise sufficient market power that it can effectively set the price of the proposed product substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. This finding is supported by the fact that all of the Global Plus 1E product components are current competitive products.<sup>4</sup> Therefore the Commission concludes that Global Plus 1E, with regard to market power, is appropriately a competitive product.

Regarding the other requirements of 39 U.S.C. § 3642(b), Global Plus 1E consists exclusively of competitive products not covered by the postal monopoly.

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<sup>4</sup> CeP is a variant of IPA, which is a competitive product. See MCS § 2510.6.5.

Additionally, the Postal Service competes with other businesses in the market for international shipping services, customers such as the contract partner will likely be interested in the Global Plus 1E product, and there is no evidence of an adverse impact on small businesses.

For these reasons, having considered the relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that the Global Plus 1E product is appropriately classified as competitive and adds it to the competitive product list.

*Cost considerations.* Because the Commission finds that Global Plus 1E is a competitive product, the Postal Service must also show that the Agreement covers its attributable costs, does not cause market dominant products to subsidize competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the Agreement exceeds its attributable costs, the Agreement is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if the Agreement covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Request includes a certified statement that the Agreement complies with the requirements of 39 U.S.C. § 3633(a). Request, Attachment 5. The Postal Service also filed supporting revenue and cost data showing that the Agreement is expected to cover its costs. Based on its review of the record, the Commission finds that the rates should cover the Agreement's attributable costs. See 39 U.S.C. § 3633(a)(2). For this reason, the Commission concludes that the Agreement should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, the Commission finds that the Agreement is unlikely to prevent competitive products as a whole from contributing an appropriate share of

institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See also 39 C.F.R. § 3015.7(c).

The Commission will review the cost coverage of the Agreement, the Global Plus 1E product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

In conclusion, a preliminary review of the Agreement indicates that it is consistent with section 3633(a).

*Baseline agreement.* The Commission designates the Agreement as the baseline agreement for the Global Plus 1E product. Following current practice, in any future request to add a new negotiated service agreement to the Global Plus 1E product, the Postal Service shall identify all significant differences between the new negotiated service agreement and the baseline agreement. Significant differences include terms and conditions that impose new obligations or new requirements on any party to the negotiated service agreement. The docket referenced in the caption of the request should be Docket No. MC2018-7. Consistent with current practice, the request should include a redacted copy of Governors' Decision 11-6.

*Other considerations.* The Postal Service will notify the customer of the effective date of the Agreement. Request at 3. The Postal Service shall promptly notify the Commission of that effective date. If the effective date of the Agreement is the first of the month, the Agreement will expire one year after the effective date. *Id.* Otherwise the agreement will expire on the last day of the month one year after the effective date. *Id.* If the Agreement terminates before the scheduled expiration date, the Postal Service shall promptly notify the Commission in this docket.

In conclusion, the Commission approves Global Plus 1E as a new product and designates the Agreement as the baseline agreement for the Global Plus 1E product. Revisions to the competitive product list and the MCS appear below the signature of this Order and are effective immediately.

V. ORDERING PARAGRAPHS

*It is ordered:*

1. Global Plus 1E (MC2018-7 and CP2018-12) is added to the competitive product list as a new product. Revisions to the competitive product list and the MCS appear below the signature of this Order and are effective immediately.
2. The Commission designates the Agreement as the baseline agreement for the Global Plus 1E product.
3. The Postal Service shall promptly notify the Commission of the effective date of the Agreement.
4. If the Agreement terminates before the scheduled expiration date, the Postal Service shall promptly notify the Commission in this docket.
5. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Stacy L. Ruble  
Secretary

## CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix B to 39 C.F.R. part 3020, subpart A—Competitive Product List. These changes reflect the Commission’s order in Docket Nos. MC2018-7 and CP2018-12. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

### **Appendix B to Subpart A of Part 3020—Competitive Product List**

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#### **Negotiated Service Agreements\***

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Outbound International\*

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Global Plus Contracts

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Global Plus 1E

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CHANGE IN MAIL CLASSIFICATION SCHEDULE  
CHANGE IN PRODUCT LIST

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

**Part B—Competitive Products**  
**2000 Competitive Product List**

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**2500**                    **Negotiated Service Agreements\***

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**2510**                    **Outbound International**

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**2510.6**                **Global Plus Contracts**

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2510.6.6            Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

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- Global Plus 1E  
Baseline Reference  
Docket Nos. MC2018-7 and CP2018-12  
PRC Order No. 4194, October 31, 2017  
Included Agreements

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